

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 89-13-G - ORDER NO. 89-871 ✓

SEPTEMBER 5, 1989

IN RE: Annual Review of the Purchased Gas     )  
Adjustment and Purchasing Policies     ) ORDER  
of United Cities Gas Company     )

On August 14, 1987, the Public Service Commission of South Carolina (the Commission) issued its Order No. 87-900 which requires the annual review of the purchased gas adjustment and gas purchasing policies of United Cities Gas Company (United Cities).

On February 10, 1989, the Commission established Docket No. 89-13-G, for the purpose of reviewing United Cities PGA and gas purchasing practices. The Commission set a public hearing for 10:30 a.m, July 19, 1989, in the Commission's Hearing Room in order for testimony and evidence to be received from all interested parties. At that hearing evidence was presented by William S. Culpepper and Bobby J. Cline on behalf of the Company, and by Brent L. Sires on behalf of the Commission Staff. The Consumer Advocate of South Carolina (the Consumer Advocate) intervened.

EVIDENCE AND FINDINGS WITH RESPECT  
TO GAS PURCHASING PRACTICES

Witness Culpepper testified that United Cities is continuing to apply and improve the gas purchasing practices approved by the Commission in Order No. 88-473, dated May 16, 1988. Mr. Culpepper also testified that United Cities had become a "settling party" to a stipulation and settlement agreement, recently filed by Transcontinental Gas Pipeline Corporation (Transco) with the Federal Energy Regulatory Commission (FERC) for the purpose of restructuring its historical relationships with its customers. Although FERC recently voted to reject the Transco settlement, Mr. Culpepper testified that he did not believe that the rejection would have a substantial effect on United Cities operations or gas purchasing practices.

United Cities' overall gas purchasing policy, according to Mr. Culpepper, is to purchase the least expensive gas available considering the need for security of supply and flexibility to meet the needs of its various customer classes. United Cities is obligated to serve its firm customers for 365 days a year. Although firm demand varies substantially from day to day, United Cities must have gas available in sufficient quantities to serve peak day needs. Mr. Culpepper testified that the requirements of its customers, particularly its interruptible customers, change substantially from time to time due to such factors as economic conditions, competitive fuel prices, and weather. United Cities must have the necessary flexibility to adjust its gas supplies to

meet these changing conditions. In addition, the sources of gas available to them and the prices of those various sources of gas change from time to time. Mr. Culpepper stated that United Cities needs the flexibility to take advantage of those changes in the availability and pricing of gas supplies.

United Cities has only one (1) interstate pipeline supplier, Transco. Historically, United Cities has relied solely on Transco for its natural gas supply and was contractually unable to purchase gas from any other source. In recent years, however, as a result of numerous orders issued by FERC, including Order No. 436, United Cities has obtained the ability to purchase limited quantities of gas from other sources. United Cities has taken advantage of these various FERC orders in numerous ways, according to Mr. Culpepper. Prior to October 17, 1988, United Cities had a contract with Transco for 6700 dekatherms per day, under Transco's G-2 rate schedule. In fact, on October 17, 1988, United Cities converted 15% of this contract to firm transportation. Effective February 8, 1989, United Cities converted an additional 619 dekatherms per day to firm transportation. These conversions give United Cities the ability to purchase up to 1624 dekatherms per day, from sources other than Transco, even when no interruptible transportation is available. United Cities elected to convert 1624 dekatherms because it has a contract with Transco which permits United Cities to purchase gas from the spot market and place it into Transco's Washington Storage Facilities. Under this Washington Storage Service, United Cities can withdraw up to 1624 dekatherms per day

on a firm basis for transportation under Transco's firm transportation rate schedule. Thus by using a combination of Washington Storage Service and firm transportation services, United Cities is able to purchase less expensive spot gas and have it available to meet its firm demand.

Transco recently made a filing with the FERC to expand its facilities to provide additional seasonal firm transportation for its southern market. United Cities has signed a precedent agreement with Transco which will provide United Cities with 750 dekatherms per day of firm transportation during the months of December, January, and February and 675 dekatherms per days of firm transportation during the months of November and March. This additional seasonal firm transportation will provide United Cities with additional peak day capacity to meet the needs of its firm customers at a very reasonable price.

Witness Sires testified that United Cities has continued its attempts to get the best terms available in its negotiations with suppliers and in proceedings with the FERC. The Gas Department has not found any evidence to indicate that United Cities is not meeting its responsibility to maintain adequate supplies at just and reasonable cost to serve all of its customers, according to Mr. Sires.

No parties offered any evidence to suggest that United Cities gas purchasing practices were not prudent and based on the foregoing evidence the Commission finds that the gas purchasing practices of United Cities are prudent and reasonable.

EVIDENCE AND FINDINGS WITH RESPECT TO THE PGA

Witness Cline testified that United Cities' PGA, approved by the Commission in Order No. 88-473, has been working properly, but that it would be appropriate to make a minor revision to the PGA to permit demand charges applicable to firm transportation service to be reflected in normal PGA filings rather than waiting until the year end balancing adjustment. In support of the requested revision, he testified that in the past United Cities had little or no demand charges but that, as a result of recent changes which permit United Cities to take greater advantage of Transco's firm transportation tariffs, he expects more frequent changes in demand charges.

Witness Sires testified that the Gas Department is in agreement with United Cities that it would be more appropriate to include demand charges in normal PGA filings rather than in the annual balancing adjustment. No party opposed the proposed amendment to United Cities PGA. Based on the foregoing evidence the Commission finds that it is appropriate to amend the PGA as requested by United Cities and as reflected in the PGA Rider attached to the testimony of witness Cline.

IT IS THEREFORE ORDERED.

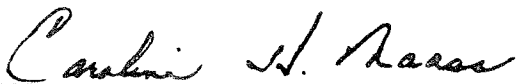
1. That the gas purchasing policies of United Cities are found to be prudent and reasonable.

2. That the amendment to United Cities PGA requested by United Cities and included in the PGA Rider filed in this docket be approved.

3. That the Company file for Commission approval within fifteen (15) days from the date of this Order a PGA Tariff reflecting inclusion of demand charges.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)